

16 June 2020

James Tipping  
Chief Strategy Officer  
Electricity Authority

Ron Beatty  
Principal Adviser Market Services

By e-mail: [marketoperations@ea.govt.nz](mailto:marketoperations@ea.govt.nz)

Dear James and Ron,

### **Pulse Energy supports review of the arrangements to protect Medically Dependent and Vulnerable Consumers**

Pulse supports the review of the Medically Dependent and Vulnerable Consumer Guidelines. We welcome the opportunity to engage with the Authority at the beginning of the review process.

The Guidelines were put in place before most existing retailers entered the electricity market, and it is over a decade since they were last updated. The COVID19 pandemic highlights the importance of ensuring appropriate, modern, protections are in place for the most vulnerable members of society. The recent case of Vodafone disconnecting an elderly woman, living on her own, due to their own administrative errors also highlights the importance of having robust disconnection processes and protections.<sup>1</sup>

### **Pulse supports the Electricity Authority setting target dates for completion of projects in its work programme**

We welcome the Authority setting a firm deadline for completion of the review of the Guidelines (December this year). We would like to see the same for other Electricity Price Review projects, such as the review and reform of the current market-making arrangements. The Authority should be able to complete most of the Electricity Price Review reform initiatives this calendar year, if they are given appropriate prioritisation and are well managed.<sup>2</sup>

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<sup>1</sup> <https://www.rnz.co.nz/news/national/416329/covid-19-vodafone-disconnects-elderly-customer-during-lockdown>

<sup>2</sup> As reflected, for example, in the joint letter from ecotricity, Electric Kiwi, energyclubnz, Flick Electric, Pulse and Vocus to the Electricity Authority: Letter of Minister's expectations 2020/21: Specific expectations regarding the Electricity Price Review, 20 March 2020.

## **The Electricity Authority should ensure any changes to the Guidelines are fully considered before being implemented**

The Authority has already made a number of de facto changes to the Guidelines through its letters of expectation during the lockdown period. We do not support the Authority fast-tracking or rushing additional changes to the Guidelines before a full and proper review of the Guidelines has been conducted.

The Authority should also aim to ensure it has a significant level of buy-in for any changes it proposes before they are adopted.

In particular, we do not support the Addendum provisions that could require a physical site visit, prior to disconnection, even where there is no actual customer. It is reasonable to assume if a vacant house or premise becomes occupied by someone who is vulnerable or medically-dependent they will secure supply of electricity through an electricity retailer. The Authority should be careful to ensure it does not reward consumers for consuming electricity without making arrangements for supply within a reasonable period of time of moving into a vacant property.

## **There is substantive scope for improving the existing Guidelines**

We consider there are changes to the existing Guidelines which could be to the long-term benefit of not only the most vulnerable consumers but all consumers. For example:

- The Authority should draw on experience with application of the Guidelines to help determine what best practice looks like and reflect this where appropriate (taking into account the cost of compliance).
- The Authority should revert to the original Guidelines approach where there was just one set of Guidelines. The approach of having two sets of Guidelines has resulted in unnecessary duplication, and cross-over between the Guidelines e.g. some of the Guidelines relating to Medically Dependent Consumers are contained in the Vulnerable Consumer Guidelines.
- Requirements to make reasonable efforts to contact customers before disconnection should apply to all customers, not just vulnerable consumers. It is unclear whether the concept of a vulnerable consumer is needed in the Guidelines at all.
- The Guidelines could be clearer about what is required for retailers to “make reasonable efforts to contact and inform the affected domestic consumer before his or her dwelling is disconnected”. This should reflect modern communication including use of e-mail and app notifications. The absence of any reference to e-mail in the existing Guidelines highlights how out-of-date they are.

- The Guidelines should recognise modern technology, such as apps and messaging, mean electricity retailers can have reasonable confidence the customer has received (and read) the disconnection warning notices, even if they don't get a response from the customer. This brings into question the need and efficacy to add a physical site visit if the customer chooses to ignore or not respond to the electricity retailer's reasonable efforts to contact the customer. The Guidelines should also recognise most disconnections are not physical disconnections so a site visit can add substantial additional compliance costs.
- The verification provisions should explicitly deal with what happens if a consumer is not willing to co-operate in the verification process, and should include confirmation/evidence of address as part of the verification process to reflect that the Medically Dependent or Vulnerable Consumer may not be a customer of the electricity retailer.

### **Households can switch and save**

We are the largest entrant electricity retailer, with over 75,000 residential and commercial customers, and offer low cost electricity, gas and broadband plans to properties throughout NZ. We offer our customers a low price up front and no long-term contracts – giving our customers the freedom to switch away free of charge by providing 30 days' notice.<sup>3</sup>

Our plans have a competitive price. We do not have a prompt payment discount as we have already built this into our pricing. We simply offer our customers a low price upfront.

The Authority and Social Agencies should be mindful part of the picture in terms of protecting the most vulnerable members of the community, particularly low income households and households facing economic hardship, is to ensure households are not overcharged and are on the best priced electricity services available.

The Electricity Price Review, and similar reviews in overseas jurisdictions, highlight that low income and vulnerable households are more likely to stay with their incumbent retailer and more likely to be paying "loyalty taxes". It is important to ensure vulnerable households are aware they can save money simply by switching electricity retailer and this is a straightforward process. As part of this, the Authority should reinstate its estimation of the savings residential consumers can make from switching to the lowest cost suppliers.<sup>4</sup>

If the Authority wants to ensure that vulnerable consumers are supplied with affordable electricity it needs to make sure a fully competitive electricity market develops in which all electricity consumers benefit from genuinely cost-based services.

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<sup>3</sup> For example, our customers can save \$15 per month when they BundleUp their Electricity and Broadband with us!

<sup>4</sup> The Authority has not updated its residential savings calculations beyond the 2017 calendar year:

[https://www.emi.ea.govt.nz/Retail/Reports/COBZIA?\\_si=rg|residential-savings,v|3](https://www.emi.ea.govt.nz/Retail/Reports/COBZIA?_si=rg|residential-savings,v|3)

## Concluding remarks

A coordinated effort is needed to improve energy poverty. We believe the market will have a greater success in reducing costs to consumers if competition is strengthened and we continue to see small retailers thrive.<sup>5</sup>

Pulse recognises the Guidelines review is important for ensuring the protection and wellbeing of the most vulnerable members of society, and all electricity consumers are treated fairly. We intend to assist the Authority throughout the review process.

The importance of the Guidelines also highlights the need to ensure that collectively we get the changes right. After 10-years of leaving the Guidelines untouched, we should be very cautious about the risk of unintended consequences and ensure any changes are appropriately evidence-based.

The Authority's target to introduce changes by December 2020 appropriately prioritises the Guidelines review and provides enough time to develop new Guidelines that will serve the best interests of vulnerable and other consumers and households.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Fraser Jonker".

Fraser Jonker  
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<sup>5</sup> Pulse Energy, Re: Pulse Energy Submission to the EPR Panel, 29 March 2019, at: <https://www.mbie.govt.nz/dmsdocument/4905-pulse-energy-submission-electricity-price-review-options-paper-pdf>